

## **Exhibit 1**

### **PERFORMANCE STANDARDS AND GUARANTEES**

#### **CUSTOMER SERVICE/CUSTOMER SERVICE METERS**

##### **Customer Service Response Times**

IWCR Field Services and Utility Data Corporation (UDC) Field Operations has the responsibility of customer service and customer meters. IWCR Field Services and UDC/IWCR Field Operations share this responsibility. UDC is an IWCR affiliate that does the billing for IWCR and other municipalities not related to IWCR or NiSource. These two offices handle new services, service systems engineering review, field services for customer service matters, and meter operations. They deal with the customer from the point of a new service application, service installation, meter installation, meter maintenance, service complaints, service/consumption monitoring, service repairs and the host of items a good customer service program would address.

The basic questions addressed during due diligence interviews and tours of the IWC facilities were:

- Is the customer service group responsive?
- Is the metering effective in capturing revenue from water sales?

**Customer Service** - As determined from interviews with the IWCR and UDC personnel, IWCR is concerned about and responsive to customer requests and customer concerns. Customer service is a 24 hour per day, seven day per week operation. The following are general and specific examples of customer service responses that shall be a requirement of the Company:

Each month consumption records for individual customers are screened for variations from the norm of their water use. Variations beyond a preset value are reviewed by IWCR staff to determine the cause of the variation. The customer's use history and service record often answers the question for situations, such as instances where the customers lawn irrigation system has been turned on for the season. Another answer may be that there is a leak in the customers system that is causing the apparent excessive water use. To gain such answers, Customer Service Representatives call the customer and ask the questions regarding their water use. Many times it is determined that a leaky toilet flush valve is cause for the high meter reading. At that point the IWCR policy for unknown leaks is explained to the customer. The customer is granted a one time adjustment for the unknown leak. It is the responsibility of the customer to repair such leaks. If the same leak reoccurs the customer will be notified but there is no adjustment in their water bill.

Another example was found in one of the small water systems that has a booster pump station that serves twelve customers. This booster station operated on a time clock that had an off period from 2:00AM to 5:00AM. As an example, a customer called and complained that they had the occasion to use water at 3:00 AM and they did not have any water. The booster pumping station was put on continuous operation that same day.

## **Distribution System**

Emergency - If a main break, damaged hydrant, valve or service line leak is causing low system pressures, damaging property or causing a safety condition to motorists, pedestrians, fire department or customer. Also, includes utility locates for emergency repairs by contractors. These are field checked within one hour, 24 hours/day, 7 days/week to determine the severity of distribution system problem to determine an appropriate response. After that, crew arrives within two hours and main/service line is repaired within three hours for a total elapsed response time of approximately eight hours.

Non-emergency - If main break, damaged hydrant, valve or service line is not causing low pressure or safety issues. These are field checked within one hour, 24 hours/day, 7 days/week to determine the severity of distribution system to determine appropriate response and shall be repaired within 48 hours.

Scheduled - Included is utility locates, valve repairs, service line repairs, main, hydrant repairs and related corrective and preventative maintenance work on distribution system. Response time varies due to volume of work, staffing availability, scheduling and work priorities. These are typically scheduled prior to the day work is performed.

## **Customer Service**

Emergency - If customer has no water, flooding condition damaging property or causing a safety concerns to residents, motorists, and pedestrians, etc. These are field checked within one hour, 24 hours/day, 7 days/week to determine the problem and resolve the issue with customer.

Same Day - If customer has water but has other service issues such as low pressure, slow leaks, etc. is not causing low pressure or safety issues. Included also are customers that move in from out of town and want service turned on, or customers who were turned off for delinquent arrears. These shall be resolved within 4 to 8 hours.

Scheduled - Included in this group are turning service on or off, meter repairs, high bill inspections, delinquent turnoffs, etc. These are typically scheduled with customer prior to the day work is performed.

## **METERS**

All water is metered with the exception of some fire lines within the system. Sufficient data cannot be obtained to analyze lost or unaccounted for water. The Company shall submit a plan to determine that lost or unaccountable water for the system within 12 months of taking over the system. The Company's goal will be to allow only 5% lost or unaccountable water in the system.

Currently IWC changes out each 5/8" to 1" meter every ten years, 2 to 3 inch meters are tested every three years on the average and high volume meters are tested every 1.5 years. In the event

a failed meter is encountered, it is changed-out at the time of the service call. The Company shall maintain this schedule or show evidence of a better, more cost-effective program.

The meter staff organization table shows 68 people. Of this staff, 18 are Meter Readers and 50 work on services and meters. Two are in the meter shop, four on small meter (5/8" through 1") installation, two on large meter changes, and 12 on small (5/8" through 1") meter service. Inspection and calibration of large (four inch and larger) meters are done by contract with Day Fluids, Indianapolis, Indiana. Their normal operation for staff is to have 4 to 5 people work a double shift each day to keep up with their current work load.

Field operations meter reading and billing only addresses water sold (bulk water sales, individual customer sales, fire non-metered, fire metered, fire private hydrants and other sales per their rates schedule). Meter reading schedules for bimonthly billing are set up to cover specific areas of the IWCR service area on specific days.

The "Meter Shop Report" for June 2001 is an IWCR tracking document. This report serves as a stock inventory, transaction report and repair/test activity report. It also tracks the hour effort of the meter repair shop. The June Meter Shop Report shows "Total Meters in Stores" as 3,855 for size 5/8" through 1". This June 2001 Report also shows the number of "Meters Owned" for 5/8" size at 271,051. The total shown for all sizes of meters is 296,819. This number includes 40 hydrant mountable meters for the sale of water from fire hydrants.

The number of meters in active service is estimated to be approximately 300,000. The number by (IWCR's) actual count was 260,000 circa 1999. The recent experience is 7,000 to 10,000 new services and 5/8" to 1" meters set each year. IWCR noted that they are on a pace for close to 8,000 5/8" to 1" meters this year.

UDC/IWCR is working on a new software package, "Smart Suite". This is a custom data management and information management system that the Department anticipates will be on line as of October 1, 2001. IWCR believes that bimonthly billing will be more efficient. This system will incorporate the use of palm pilots for work orders. Interaction with Accounting is expected to be improved.

A tour of the meter shop revealed an active but crowded work space. Most of the vehicles were out of the garage but it was noted that 38 to 40 vehicles are in their truck fleet. One of the unique requirements of meter service vehicles is heated garage space. All meters, even new meters, have water in them. In the winter the water will freeze and break the meters or pop the freeze plate. With either occurrence the meter must be replaced or repaired. It was interesting to note that significant areas along the walls of the garage are being used for meter and parts storage.

## **WATER QUALITY STANDARDS**

The water of the system must meet regulatory standards for water quality. Each plant must consistently meet all applicable regulatory water quality standards. In particular, each plant must meet each and all criteria in the National Primary Drinking Water Standards and strive to meet standards in the National Secondary Standards. Each plant must also meet other regulatory standards, as dictated by State of Indiana (e.g., Indiana Department of Environmental

Management) and local governments. Excursions from these standards are not permissible, except in cases of emergency, acts of God or similar unforeseeable events.

### **WATER QUANTITY STANDARDS**

Plants must produce sufficient water to meet the demands of the consumers. Each plant must be able to produce sufficient water quantities to meet the demands of the consumers. The amount of water to be produced by each plant will be determined by the demands in the system. In August 2001, the production of the water plants and distribution system recorded an all-time high of approximately 201 million gallons per day (peak hour). During this event, the plants were able to meet the demand, water pressures were adequately maintained, and the water quality was acceptable. It is required that the Company will be able to meet at least these conditions.

**WATER QUANTITY PLANNING.** Water quantity management planning will be undertaken by the Company to evaluate the level of use of surface and groundwater which would minimize undue depletion of the resource and provide for optimal/adequate in-stream flows following withdrawals for public water supply. Water quantity planning should consider maintenance of aquatic life and habitat, mitigation of CSO discharges and other pollutants, and the maintenance of Greenway conservation and recreation corridors. In addition, such planning should adequately consider measures designed to encourage conservation and appropriate use of the water resource, including, but not limited to, public education. This process shall be accomplished on a continuous basis throughout the term of the contract. An annual report on the efforts, actions, issues, etc. shall be provided to the Department by May 31<sup>st</sup> of each year, beginning with May 31, 2003.

### **TASTE AND ODOR ISSUES**

During summer months, the plants that treat surface water sources produce finished water with undesirable tastes and odors. This is a significant concern. In an attempt to mitigate this problem, the current operators have resorted to several methods of control. These methods include treating the reservoirs with algaecides, adding powdered activated carbon to the treatment stream, and adding additional chlorine (i.e., sodium hypochlorite). These methods are believed to reduce the effects of taste and odor causing compounds, but do not eliminate them. While the existing operations cannot totally eliminate the taste and odor issues, it is desirable that similar measures continue or new measures are implemented in attempts to lessen the effect of taste and odor compounds. The Company must allocate sufficient resources to continue these treatment methods, and is strongly encouraged to offer other cost-effective treatments to mitigate or eliminate undesirable tastes and odors.

### **AVAILABILITY OF EQUIPMENT AND PROCESSES**

To ensure a desired level of reliability, the plants must have the majority of all processes and equipment functional at all times. It may not be necessary to run all available equipment or processes, but these must be available in case extreme conditions are encountered. To ensure a level of reliable operations, it is the intent of the project that equipment and processes be generally available for service. At any time, no more than one piece of equipment in a given set of equipment may be unavailable for service due to maintenance, repairs or replacement. For example, if a pump station has four pumps, then three pumps must always be available for

operation. At any time, no more than one process in a given set of processes may be unavailable for service due to maintenance, repairs or replacement. For example, if a plant has sixteen filters, then fifteen filters must be available for operation at all times.

### **ADEQUATE SUPPLIES**

To ensure a desired level of reliability, the plants must keep in stock consumables. To ensure a level of reliable operations, it is the intent of the project that each plant keeps at least one month's supply of consumables at all times. These consumables include, as a minimum, treatment chemicals, laboratory chemicals, office supplies, lubricants, spare parts, stock materials, and similar items.

### **CONTRACT COMPLIANCE**

In addition to meetings required as a normal course of business, the Company shall meet, at least weekly, with the Department or its designee on all contract compliance and monitoring issues. Contract compliance will be performed by the Department at a level deemed appropriate by the Department to monitor, at a minimum, the adequate outcomes of the operations, maintenance, customer service performance, and the development and administration of capital improvements, and all other contractual obligations under the Agreement. Contract compliance shall also include verifying water quality sampling by the Department. The taking of all samples, to monitor data results, shall be as provided by the Company with oversight by the Department. The Department reserves the right to have any samples taken and results analyzed by an independent laboratory.

In the event the Company is not performing within the parameters of the Agreement, the Company shall be provided notice, verbal or written, of the variation and/or violation by the Department's Contract Compliance Officer and shall rectify those situations immediately. On matters of dispute, appeals may be submitted to the Department for review. However, the appeal process shall not entitle the Company to stay the direction given by the Department's Contract Compliance Officer, pending the outcome of the decision by the Department. Continued noncompliance will result in prescribed penalties being assessed.

The Company shall be required to obtain all necessary data, compile, fill out and provide to the Department as well as other required agencies, in the required time-frames, all reports required by all local, State and Federal authorities, as well as those identified within the Agreement having any jurisdiction over this Waterworks, including additional reports deemed necessary and reasonable by the Department for the monitoring and management of the Company.

The Company shall cooperate fully in the gathering of information, data, and/or documentation needed that may be in addition to those reports as spelled out within this document.

Access to facilities and information shall not be denied as long as the request is reasonable and timely. The Company shall be required to provide all safety materials and equipment (exclusive of vehicles) for the Contract Compliance Officer to perform its duties under this Agreement. Such access shall include, but not be limited to, confined space entry equipment requirements, harnesses, ladders, protective clothing, and traffic maintenance.

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### **RECORD DRAWINGS**

The Company shall maintain all records, drawings, reports, studies, etc. existing at the time of transfer and developed thereafter. All such documents developed for modifications to the system after execution of the Agreement shall also be modified to reflect in field conditions ('as-builts'). Such information and/or drawings shall be uploaded into the IMAGIS database in a format approved by the IMAGIS consortium no later than one year after completion of the work. All such documents shall become the property of the Department at the termination of the Agreement. During the term of the Agreement, the Company shall make available to the Department, at no additional costs to the Department, all necessary reproductions of drawings and contract documents as requested by the Department.

### **IMAGIS**

The Company shall maintain membership to the Information Mapping and Geographic Information System (IMAGIS) Consortium and continue to be an active participant in the maintenance, development policies and management of this database.

The Company shall continue to map to the IMAGIS database all facilities, infrastructure, modifications, construction, etc. to the same level or at a level exceeding practices in effect prior to the Contract Date.